

WASHINGTON, DC -- Congresswoman Linda Sánchez, Chairwoman of the House Judiciary Subcommittee on Commercial and Administrative Law (CAL), issued the following opening statement today at the CAL Subcommittee hearing on H.R. 5267, the "Business Activity Tax Simplification Act of 2008."

"The growth of marketing and sales of goods and services over the Internet is just one example of our country's movement toward an economic system not limited by state borders. But this borderless economy has led to confusion for some businesses regarding their tax obligation.

"Although a state levies taxes on companies conducting business within the state, some companies have expressed concerns that they are unaware when their activities trigger state tax obligations.

"These companies favor a physical presence standard for taxation. In essence, the standard would require businesses to pay taxes to states in which they own or lease property or effectively station employees.

"On the opposing side are the state governments. They oppose such an approach, contending that in the future, because more transactions and services will occur online, the physical presence standard would eviscerate state revenues and promote tax avoidance schemes.

"The question then becomes, how do you clarify the taxation standard while protecting state revenues and taxation authority?

"The legislation we are examining today is H.R. 5267, the "Business Activity Tax Simplification Act of 2008." This bill would prohibit state taxation of interstate commerce of out-of-state transactions involving all forms of property. The legislation would also establish the physical presence standard advocated by business interests.

"This afternoon's hearing serves a dual purpose. First, this hearing provides us with the opportunity to learn more about business activity taxes and under what circumstances they are levied.

"Second, the testimony provided today will help us determine what role Congress has in this matter, and whether H.R. 5267 addresses the concerns of businesses that are expected to pay these types of taxes, while also protecting the interests of state governments to tax business activity within their borders.

"To help us explore these issues, we have six witnesses divided into two panels for this hearing. On our first panel we have Representatives Rick Boucher from the 9th District of Virginia and Bob Goodlatte from the 6th District of Virginia, the authors of the legislation, who will discuss H.R. 5267.

"For our second panel, I am pleased to have Mark Ducharme, Vice President and CFO of Monterey Boats; R. Bruce Johnson, Commissioner of the Utah State Tax Commission; Michael Petricone, Vice President of Technology Policy at the Consumer Electronics Association; and

David C. Quam, Director of Federal Relations at the National Governors Association.

"As we hear today's testimony, let us remember that we must balance the interests of state governments to collect revenue with efforts to encourage business development."